



**Auditor of State  
Betty Montgomery**



**KATE LOVE SIMPSON MORGAN COUNTY LIBRARY  
MORGAN COUNTY**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Kate Love Simpson Morgan County Library  
Morgan County  
358 East Main Street  
McConnelsville, Ohio 43756

To the Board of Trustees:

We have audited the accompanying financial statements of Kate Love Simpson Morgan County Library, Morgan County, Ohio (the Library), as of and for the years ended December 31, 2003 and 2002. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The Library's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Library because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments.

We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Library prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Kate Love Simpson Morgan County Library, Morgan County, as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2004 on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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This report is intended solely for the information and use of the audit committee, management, the Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

May 17, 2004

**KATE LOVE SIMPSON MORGAN COUNTY LIBRARY  
MORGAN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>			
Other Government Grants-In-Aid	\$523,298	\$	\$523,298
Patron Fines and Fees	14,792		14,792
Earnings on Investments	9,430		9,430
Contributions, Gifts and Donations	220		220
Miscellaneous Receipts	11,365		11,365
	<hr/>		<hr/>
Total Cash Receipts	559,105	0	559,105
	<hr/>		<hr/>
<b>Cash Disbursements:</b>			
Current:			
Salaries	208,191		208,191
Employee Fringe Benefits	60,922		60,922
Purchased and Contracted Services	87,339		87,339
Library Materials and Information	118,810		118,810
Supplies	20,412		20,412
Other Objects	8,657		8,657
Capital Outlay	4,168		4,168
	<hr/>		<hr/>
Total Cash Disbursements	508,499	0	508,499
	<hr/>		<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	50,606	0	50,606
	<hr/>		<hr/>
<b>Other Financing Receipts/(Disbursements):</b>			
Refund of Excess Insurance Reserves	7,061		7,061
Transfers-In		100,000	100,000
Transfers-Out	(100,000)		(100,000)
	<hr/>		<hr/>
Total Other Financing Receipts/(Disbursements)	(92,939)	100,000	7,061
	<hr/>		<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(42,333)	100,000	57,667
	<hr/>		<hr/>
Fund Cash Balances, January 1	238,317	100,000	338,317
	<hr/>		<hr/>
<b>Fund Cash Balances, December 31</b>	<b>\$195,984</b>	<b>\$200,000</b>	<b>\$395,984</b>
	<hr/>		<hr/>
Reserves for Encumbrances, December 31	\$8,748	\$0	\$8,748
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*The notes to the financial statements are an integral part of this statement.*

**KATE LOVE SIMPSON MORGAN COUNTY LIBRARY  
MORGAN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Other Government Grants-In-Aid	\$528,786	\$	\$	\$528,786
Patron Fines and Fees	15,450			15,450
Earnings on Investments	9,335			9,335
Contributions, Gifts and Donations	375			375
Miscellaneous Receipts	7,240			7,240
	<hr/>			<hr/>
Total Cash Receipts	561,186	0	0	561,186
	<hr/>			<hr/>
<b>Cash Disbursements:</b>				
Current:				
Salaries	198,781			198,781
Employee Fringe Benefits	50,238			50,238
Purchased and Contracted Services	103,319			103,319
Library Materials and Information	125,869	293		126,162
Supplies	18,586			18,586
Other Objects	8,188			8,188
Capital Outlay	8,447		324	8,771
	<hr/>			<hr/>
Total Cash Disbursements	513,428	293	324	514,045
	<hr/>			<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	47,758	(293)	(324)	47,141
	<hr/>			<hr/>
Fund Cash Balances, January 1	190,559	293	100,324	291,176
	<hr/>			<hr/>
<b>Fund Cash Balances, December 31</b>	<b>\$238,317</b>	<b>\$0</b>	<b>\$100,000</b>	<b>\$338,317</b>
	<hr/>			<hr/>
Reserves for Encumbrances, December 31	\$7,907	\$0	\$0	\$7,907
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*The notes to the financial statements are an integral part of this statement.*



**KATE LOVE SIMPSON MORGAN COUNTY LIBRARY  
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Kate Love Simpson Morgan County Library, Morgan County (the Library), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of Ohio. The Library is directed by a seven-member Board of Trustees, four of which are appointed by the Morgan County Board of Commissioners and three of which are appointed by the Morgan County Probate/Juvenile Court Judge. The Library provides the community with various educational and literary resources. The Library is involved with the SOLO Regional Library which is defined as a jointly governed organization. Additional information concerning the jointly governed organization is presented in Notes 8 and 9.

The Library's management believes these financial statements present all activities for which the Library is financially accountable.

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. Cash and Investments**

STAROhio (The State Treasurers Investment Pool) is recorded at the share value reported by the State Treasurer.

**D. Fund Accounting**

The Library uses fund accounting to segregate cash and investments that are restricted as to use. The Library classifies its funds into the following types:

**1. General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**2. Capital Project Funds**

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Library had the following significant Capital Project Funds:

**KATE LOVE SIMPSON MORGAN COUNTY LIBRARY  
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**2. Capital Project Funds (Continued)**

Building Improvement Fund – This fund is used to account for the financial resources and related payments for improvements to existing buildings or for the purchase of land to improve Library services.

Branch Library Fund – This fund is used to accumulate resources for the establishment of an additional branch of the main library.

**E. Budgetary Process**

The Board of Trustees must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end. Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control.

Effective January 1, 2001, the Ohio Administrative Code amended library budgetary requirements and libraries were no longer required to estimate resources or encumber appropriations. However, since the Library has continued to estimate resources and encumber appropriations, this activity is reflected in the financial statements and notes. Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The Library reserves (encumbers) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the basis of accounting the Library uses.

**KATE LOVE SIMPSON MORGAN COUNTY LIBRARY  
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

The Library maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 follows:

	2003	2002
Demand deposits	\$390,957	\$262,861
STAROhio	5,027	75,456
Total deposits and investments	\$395,984	\$338,317

**Deposits:** Deposits are either insured by the Federal Deposit Insurance Corporation, or collateralized by the financial institution's public entity deposit pool.

**Investments:** Investments in STAROhio are not evidenced by securities that exist in physical or book-entry form.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

**2003 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$546,032	\$566,166	\$20,134
Capital Projects	0	100,000	100,000
Total	\$546,032	\$666,166	\$120,134

**2003 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$784,313	\$617,247	\$167,066
Special Revenue	0	0	0
Capital Projects	100,000	0	100,000
Total	\$884,313	\$617,247	\$267,066

**2002 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$571,796	\$561,186	(\$10,610)
Special Revenue	0	0	0
Capital Projects	0	0	0
Total	\$571,796	\$561,186	(\$10,610)

**KATE LOVE SIMPSON MORGAN COUNTY LIBRARY  
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$762,355	\$521,335	\$241,020
Special Revenue	293	293	0
Capital Projects	100,324	324	100,000
Total	\$862,972	\$521,952	\$341,020

**4. GRANTS-IN-AID AND TAX RECEIPTS**

The primary source of revenue for Ohio public libraries is the State Library and Local Government Support Fund (LLGSF). The LLGSF is allocated to each county based on the county's prior intangibles tax of LLGSF revenues, and its population. The County Budget Commission allocates these funds to the Library based on its needs such as for the construction of new library buildings, improvements, operation, maintenance, or other expenses. The Budget Commission cannot reduce its allocation of these funds to the Library based on any additional revenues the Library receives.

Real property taxes become a lien on January 1 proceeding the October 1 date for which rates are adopted by the taxing authority of the subdivision to whose jurisdiction the Library is subject. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Other Government Grants-In-Aid. Payments are due to the County by December 31. If the property owner elects to make semi-annual payments, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the taxing district.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Library.

**5. RETIREMENT SYSTEM**

The Public Employees Retirement System of Ohio (PERS) is a state operated, cost-sharing, multiple employer public employee retirement system. PERS provides retirement benefits to vested employees who are eligible to retire based upon years of service. PERS also provides survivor and disability benefits to vested employees.

Contribution rates are prescribed by the Ohio Revised Code. The Library's PERS members contributed 8.5% of their gross salaries. The Library contributed an amount equal to 13.55% of participants' gross salaries for 2003 and 2002. The Library has paid all contributions required through December 31, 2003.

**KATE LOVE SIMPSON MORGAN COUNTY LIBRARY  
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**6. OPERATING LEASE**

During November 1999, the Library entered into a lease for two copiers. This lease requires a monthly payment of \$265 for 60 months. During October 2001, the Library entered into a lease for another copier. This lease requires a monthly payment of \$100 for 60 months with the first lease payment paid in January 2002. Lease payments are made from the General Fund. The Library has the option to purchase the copiers at the end of the leases for their fair market value.

**7. RISK MANAGEMENT**

**Commercial Insurance**

The Library has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles and;
- Errors and omissions.

The Library provides health insurance and life insurance to full-time employees through the Morgan County Commissioners. The Library also provides dental and vision coverage to full-time employees through a private carrier.

**8. JOINTLY GOVERNED ORGANIZATION**

The SOLO (Southeastern Ohio Library Organization) is a regional library system created and jointly governed according to the provisions of Ohio Rev. Code § 3375.90 through § 3375.93. The Regional Library System is composed of fourteen legally-separate libraries within Southeast Ohio: Barnesville Hutton Memorial Library, Bellaire Public Library, Caldwell Public Library, Guernsey County District Library, Kate Love Simpson Morgan County Library, Martins Ferry Public Library, Monroe County District Library, Muskingum County Public Library System, Newark Public Library, Perry County District Library, Public Library of Steubenville and Jefferson County, Puskarich Public Library, St. Clairsville Public Library, and Washington County Public Library. The Regional Library System is governed by a fourteen member Board of Trustees selected by the Librarians Council which consists of the library administrators or a representative from each member library. The Regional Library System provides annual training workshops for member library employees, technical training and assistance, a central graphics center, and coordinates the delivery of intra-library book loans. The Kate Love Simpson Morgan County Library System's control over budgeting and financing of SOLO is limited to its voting authority and its representation on SOLO's Board of Trustees.

**9. RELATED PARTY TRANSACTIONS**

The Library pays an annual fee to SOLO Regional Library, a jointly governed organization, of which the Library is a member. The Library paid \$10,425 to the SOLO Regional Library during the period January 1, 2002 through December 31, 2003. For the period July 1, 2003 through June 30, 2004, dues and website fees of \$4,200 were paid on July 28, 2003 and for the period July 1, 2002 through June 30, 2003, dues and website fees of \$6,225 were paid on July 8, 2002.

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Kate Love Simpson Morgan County Library  
Morgan County  
358 East Main Street  
McConnelsville, Ohio 43756

To the Board of Trustees:

We have audited the financial statements of Kate Love Simpson Morgan County Library, Morgan County, Ohio (the Library), as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated May 17, 2004, wherein we noted that the Library's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Library because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Compliance

As part of obtaining reasonable assurance about whether the Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Library's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

May 17, 2004





**Auditor of State  
Betty Montgomery**

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**KATE LOVE SIMPSON MORGAN COUNTY LIBRARY**

**MORGAN COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JUNE 17, 2004**